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**SIMULA TECHNOLOGY INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
WITH REVIEW REPORT OF INDEPENDENT AUDITORS
AS OF MARCH 31, 2025 AND 2024
AND FOR THE THREE-MONTH PERIODS THEN ENDED**

Address: 14F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City, Taiwan
Telephone: (03) 301-0008

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

**Consolidated Financial Statements
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REVIEW REPORT OF INDEPENDENT AUDITORS

To : The Board of Directors and Shareholders of
Simula Technology Inc.

Introduction

We have reviewed the accompanying consolidated balance sheets of Simula Technology Inc. (the “Company”) and its subsidiaries as of March 31, 2025 and 2024, the related consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and notes to the consolidated financial statements, including the summary of material accounting policies (together “the consolidated financial statements”). Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Standard on Review Engagements 2410, “Review of Financial Information Performed by the Independent Auditor of the Entity” of the Republic of China. A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the Standards on Auditing of the Republic of China and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

(To be continued)

(Continued)

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of March 31, 2025 and 2024, and their consolidated financial performance and cash flows for the three-month periods ended March 31, 2025 and 2024, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

/s/Chen, Kuo-Shuai

/s/Lin, Cheng-Wei

Ernst & Young
Taiwan, R.O.C.
April 25, 2025

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China on Taiwan and not those of any other jurisdictions. The standards, procedures, and practice to review such consolidated financial statements are those generally accepted and applied in the Republic of China on Taiwan.

Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets

As of March 31, 2025, December 31, 2024 and March 31, 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Assets | | | As of March 31, 2025 | | As of December 31, 2024 | | As of March 31, 2024 | |
|--------|---|----------------|----------------------|--------|-------------------------|--------|----------------------|--------|
| Code | Accounts | Notes | Amount | % | Amount | % | Amount | % |
| | Current assets | | | | | | | |
| 1100 | Cash and cash equivalents | 6(1) | \$491,343 | 19.25 | \$541,627 | 19.65 | \$545,364 | 21.50 |
| 1110 | Financial assets at fair value through profit or loss | 6(2) | 19 | - | - | - | 8 | - |
| 1136 | Financial assets carried at amortized cost | 6(3), 8 | 125,050 | 4.90 | 124,952 | 4.53 | 124,877 | 4.92 |
| 1170 | Accounts receivable, net | 6(4), 6(16) | 351,434 | 13.77 | 356,371 | 12.93 | 301,064 | 11.87 |
| 1180 | Accounts receivable - related parties, net | 6(4), 6(16), 7 | 69,478 | 2.72 | 101,970 | 3.70 | 44,522 | 1.76 |
| 1200 | Other receivables | | 18,221 | 0.71 | 20,803 | 0.76 | 11,587 | 0.46 |
| 1210 | Other receivables - related parties | 7 | - | - | 51 | - | 26 | - |
| 1220 | Current income tax assets | | 3,409 | 0.13 | 3,286 | 0.12 | 3,627 | 0.14 |
| 130x | Inventories | 6(5) | 257,449 | 10.08 | 359,323 | 13.04 | 274,492 | 10.82 |
| 1410 | Prepayments | 7 | 14,838 | 0.58 | 15,518 | 0.56 | 13,068 | 0.52 |
| 1470 | Other current assets | | 10,358 | 0.41 | 6,903 | 0.25 | 2,255 | 0.09 |
| 11xx | Total current assets | | 1,341,599 | 52.55 | 1,530,804 | 55.54 | 1,320,890 | 52.08 |
| | Non-current assets | | | | | | | |
| 1517 | Financial assets at fair value through OCI | 6(6) | 1,447 | 0.06 | 1,447 | 0.05 | 3,858 | 0.15 |
| 1600 | Property, plant and equipment, net | 6(7) | 718,461 | 28.14 | 727,593 | 26.40 | 730,280 | 28.80 |
| 1755 | Right-of-use asset | 6(17) | 59,325 | 2.32 | 59,379 | 2.15 | 7,985 | 0.32 |
| 1780 | Intangible assets | 6(8) | 393,081 | 15.39 | 399,433 | 14.49 | 428,650 | 16.90 |
| 1840 | Deferred income tax assets | 4, 6(21) | 16,878 | 0.66 | 14,686 | 0.53 | 14,192 | 0.56 |
| 1915 | Prepayment for equipment | 7 | 14,735 | 0.58 | 15,789 | 0.57 | 24,884 | 0.98 |
| 1920 | Refundable deposits | | 7,624 | 0.30 | 7,291 | 0.27 | 5,312 | 0.21 |
| 15xx | Total non-current assets | | 1,211,551 | 47.45 | 1,225,618 | 44.46 | 1,215,161 | 47.92 |
| 1xxx | Total Assets | | \$2,553,150 | 100.00 | 2,756,422 | 100.00 | \$2,536,051 | 100.00 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Balance Sheets-(Continued)

As of March 31, 2025, December 31, 2024 and March 31, 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Liabilities and Equity | | | As of March 31, 2025 | | As of December 31, 2024 | | As of March 31, 2024 | |
|------------------------|--|--------------|----------------------|--------|-------------------------|--------|----------------------|--------|
| Code | Accounts | Notes | Amount | % | Amount | % | Amount | % |
| | Current liabilities | | | | | | | |
| 2100 | Short-term loans | 6(9) | \$30,000 | 1.18 | \$30,000 | 1.09 | \$- | - |
| 2120 | Financial liabilities at fair value through profit or loss | 6(10) | 3,628 | 0.14 | 3,732 | 0.14 | 4,789 | 0.19 |
| 2130 | Contract liabilities | 6(15) | 18,762 | 0.73 | 16,313 | 0.59 | 11,377 | 0.45 |
| 2170 | Accounts payable | | 270,445 | 10.59 | 388,024 | 14.08 | 195,128 | 7.69 |
| 2180 | Accounts payable - related parties | 7 | 11,339 | 0.44 | 35,138 | 1.27 | 655 | 0.02 |
| 2200 | Other payables | 6(11) | 149,142 | 5.84 | 191,774 | 6.96 | 157,135 | 6.20 |
| 2220 | Other payables - related parties | 7 | 10,649 | 0.42 | 7,475 | 0.27 | 5,523 | 0.22 |
| 2230 | Current income tax liabilities | 4, 6(21) | 2,504 | 0.10 | 3,111 | 0.11 | 8,726 | 0.34 |
| 2281 | Lease liabilities | 6(17) | 27,913 | 1.09 | 25,112 | 0.91 | 4,512 | 0.18 |
| 2320 | Long-term loans, current portion | 6(12) | 40,000 | 1.57 | 40,000 | 1.45 | 40,000 | 1.58 |
| 2399 | Other current liabilities | | 7,899 | 0.31 | 3,737 | 0.14 | 10,153 | 0.40 |
| 21xx | Total current liabilities | | 572,281 | 22.41 | 744,416 | 27.01 | 437,998 | 17.27 |
| | Non-current liabilities | | | | | | | |
| 2540 | Long-term loans | 6(12) | 20,000 | 0.78 | 30,000 | 1.09 | 60,000 | 2.37 |
| 2570 | Deferred income tax liabilities | 4, 6(21) | 1,418 | 0.06 | 1,682 | 0.06 | 1,188 | 0.05 |
| 2581 | Lease liabilities | 6(17) | 32,381 | 1.27 | 35,087 | 1.27 | 4,093 | 0.16 |
| 2640 | Net defined benefit liabilities | 4 | 1,595 | 0.06 | 1,627 | 0.06 | 2,650 | 0.10 |
| 25xx | Total non-current liabilities | | 55,394 | 2.17 | 68,396 | 2.48 | 67,931 | 2.68 |
| 2xxx | Total liabilities | | 627,675 | 24.58 | 812,812 | 29.49 | 505,929 | 19.95 |
| 31xx | Equity attributable to shareholders of the parent | | | | | | | |
| 3100 | Capital | 6(14) | | | | | | |
| 3110 | Common stock | | 799,729 | 31.32 | 799,729 | 29.01 | 799,729 | 31.53 |
| 3200 | Capital surplus | 6(14) | 551,718 | 21.61 | 551,718 | 20.01 | 551,718 | 21.76 |
| 3300 | Retained earnings | 6(14) | | | | | | |
| 3310 | Legal reserve | | 108,289 | 4.24 | 108,289 | 3.93 | 117,691 | 4.64 |
| 3320 | Special reserve | | 26,375 | 1.03 | 26,375 | 0.96 | 26,375 | 1.04 |
| 3350 | Unappropriated earnings | | (112,186) | (4.39) | (93,351) | (3.39) | (56,959) | (2.25) |
| | Total retained earnings | | 22,478 | 0.88 | 41,313 | 1.50 | 87,107 | 3.43 |
| 3400 | Other components of equity | | 7,865 | 0.31 | 3,745 | 0.14 | (1,051) | (0.04) |
| 36xx | Non-controlling interests | 6(14), 6(23) | 543,685 | 21.30 | 547,105 | 19.85 | 592,619 | 23.37 |
| 3xxx | Total equity | | 1,925,475 | 75.42 | 1,943,610 | 70.51 | 2,030,122 | 80.05 |
| | Total liabilities and equity | | \$2,553,150 | 100.00 | \$2,756,422 | 100.00 | \$2,536,051 | 100.00 |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese
Simula Technology Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the three-month periods ended March 31, 2025 and 2024
(Amounts Expressed In Thousands of New Taiwan Dollars, Except Earnings Per Share)

| Code | Accounts | Notes | For the three-month period ended March 31, | | | |
|------|---|----------|--|----------------------|--------------------------|-----------------------|
| | | | 2025 | | 2024 | |
| | | | Amount | % | Amount | % |
| 4000 | Operating revenues | 6(15), 7 | \$461,773 | 100.00 | \$352,473 | 100.00 |
| 5000 | Operating costs | 6(5), 7 | (399,532) | (86.52) | (327,516) | (92.92) |
| 5900 | Gross profit | | 62,241 | 13.48 | 24,957 | 7.08 |
| 6000 | Operating expenses | 7 | | | | |
| 6100 | Sales and marketing | | (22,691) | (4.91) | (23,215) | (6.60) |
| 6200 | General and administrative | | (44,281) | (9.59) | (46,471) | (13.18) |
| 6300 | Research and development | | (20,706) | (4.49) | (17,825) | (5.06) |
| 6450 | Expected credit gains (losses) | 6(16) | - | - | 29 | 0.01 |
| | Total operating expenses | | (87,678) | (18.99) | (87,482) | (24.83) |
| 6900 | Operating income (loss) | | (25,437) | (5.51) | (62,525) | (17.75) |
| 7000 | Non-operating incomes and expenses | 6(19), 7 | | | | |
| 7100 | Interest income | | 1,295 | 0.28 | 1,357 | 0.39 |
| 7010 | Other incomes | | 1,512 | 0.33 | 627 | 0.18 |
| 7020 | Other gains and losses | | (1,804) | (0.39) | (1,059) | (0.30) |
| 7050 | Finance costs | | (843) | (0.18) | (593) | (0.17) |
| | Total non-operating incomes and expenses | | 160 | 0.04 | 332 | 0.10 |
| 7900 | Income (loss) before income tax | | (25,277) | (5.47) | (62,193) | (17.65) |
| 7950 | Income tax expense | 4, 6(21) | 3,022 | 0.65 | (440) | (0.12) |
| 8200 | Net income (loss) | | (22,255) | (4.82) | (62,633) | (17.77) |
| 8300 | Other comprehensive income (loss) | 6(20) | | | | |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | |
| 8361 | Exchange differences on translation of foreign operations | | 4,120 | 0.89 | 6,411 | 1.82 |
| | Total other comprehensive income (loss), net of tax | | 4,120 | 0.89 | 6,411 | 1.82 |
| 8500 | Total comprehensive income (loss) | | <u><u>\$(18,135)</u></u> | <u><u>(3.93)</u></u> | <u><u>\$(56,222)</u></u> | <u><u>(15.95)</u></u> |
| 8600 | Net income (loss) attributable to: | | | | | |
| 8610 | Shareholders of the parent | | <u><u>\$(18,835)</u></u> | <u><u>(4.08)</u></u> | <u><u>\$(47,557)</u></u> | <u><u>(13.49)</u></u> |
| 8620 | Non-controlling interests | | <u><u>(3,420)</u></u> | <u><u>(0.74)</u></u> | <u><u>(15,076)</u></u> | <u><u>(4.28)</u></u> |
| | | | <u><u>\$(22,255)</u></u> | <u><u>(4.82)</u></u> | <u><u>\$(62,633)</u></u> | <u><u>(17.77)</u></u> |
| 8700 | Comprehensive income (loss) attributable to: | | | | | |
| 8710 | Shareholders of the parent | | <u><u>\$(14,715)</u></u> | <u><u>(3.19)</u></u> | <u><u>\$(41,146)</u></u> | <u><u>(11.67)</u></u> |
| 8720 | Non-controlling interests | | <u><u>(3,420)</u></u> | <u><u>(0.74)</u></u> | <u><u>(15,076)</u></u> | <u><u>(4.28)</u></u> |
| | | | <u><u>\$(18,135)</u></u> | <u><u>(3.93)</u></u> | <u><u>\$(56,222)</u></u> | <u><u>(15.95)</u></u> |
| 9750 | Earnings per share-basic (in NTD) | 6(22) | <u><u>\$(0.24)</u></u> | | <u><u>\$(0.59)</u></u> | |
| 9850 | Earnings per share-diluted (in NTD) | | <u><u>\$(0.24)</u></u> | | <u><u>\$(0.59)</u></u> | |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Changes in Equity

For the three-month periods ended March 31, 2025 and 2024

(Amounts Expressed In Thousands of New Taiwan Dollars)

| Code | Items | Equity Attributable to Shareholders of the Parent | | | | | | | | Non-controlling Interests | Total Equity |
|------|--|---|------------------|-------------------|-----------------|-------------------------|---|---|--------------------|---------------------------|--------------------|
| | | Common Stock | Capital Surplus | Retained Earnings | | | Others | | Total | | |
| | | | | Legal Reserve | Special Reserve | Unappropriated Earnings | Exchange differences arising on translation of foreign operations | Unrealized gain (losses) from financial assets measured at fair value through OCI | | | |
| | | | | | | | | | | | |
| 3100 | 3200 | 3310 | 3320 | 3350 | 3410 | 3420 | 31xx | 36xx | 3xxx | | |
| A1 | Balance as of January 1, 2024 | \$799,729 | \$551,718 | \$117,691 | \$26,375 | \$(9,402) | \$(3,430) | \$(4,032) | \$1,478,649 | \$607,695 | \$2,086,344 |
| D1 | Net loss for the three-month period ended March 31, 2024 | | | | | (47,557) | | | (47,557) | (15,076) | (62,633) |
| D3 | Other comprehensive income (loss), net of tax, for the three-month period ended March 31, 2024 | | | | | | 6,411 | | 6,411 | - | 6,411 |
| D5 | Total comprehensive income (loss), for the three-month period ended March 31, 2024 | | | | | (47,557) | 6,411 | | (41,146) | (15,076) | (56,222) |
| Z1 | Balance as of March 31, 2024 | <u>\$799,729</u> | <u>\$551,718</u> | <u>\$117,691</u> | <u>\$26,375</u> | <u>\$(56,959)</u> | <u>\$2,981</u> | <u>\$(4,032)</u> | <u>\$1,437,503</u> | <u>\$592,619</u> | <u>\$2,030,122</u> |
| A1 | Balance as of January 1, 2025 | \$799,729 | \$551,718 | \$108,289 | \$26,375 | \$(93,351) | \$7,298 | \$(3,553) | \$1,396,505 | \$547,105 | \$1,943,610 |
| D1 | Net loss for the three-month period ended March 31, 2025 | | | | | (18,835) | | | (18,835) | (3,420) | (22,255) |
| D3 | Other comprehensive income, net of tax, for the three-month period ended March 31, 2025 | | | | | | 4,120 | | 4,120 | - | 4,120 |
| D5 | Total comprehensive income, for the three-month period ended March 31, 2025 | | | | | (18,835) | 4,120 | | (14,715) | (3,420) | (18,135) |
| Z1 | Balance as of March 31, 2025 | <u>\$799,729</u> | <u>\$551,718</u> | <u>\$108,289</u> | <u>\$26,375</u> | <u>\$(112,186)</u> | <u>\$11,418</u> | <u>\$(3,553)</u> | <u>\$1,381,790</u> | <u>\$543,685</u> | <u>\$1,925,475</u> |

(The accompanying notes are an integral part of the consolidated financial statements.)

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Consolidated Statements of Cash Flows

For the three-month periods ended March 31, 2025 and 2024

(Amounts Expressed in Thousands of New Taiwan Dollars)

| Code | Items | For the three-month periods ended March 31 | | Code | Items | For the three-month periods ended March 31 | |
|--------|---|---|------------|--------|---|---|-----------|
| | | 2025 | 2024 | | | 2025 | 2024 |
| AAAA | Cash flows from operating activities: | | | BBBB | Cash flows from investing activities: | | |
| A00010 | Profit (loss) before tax | \$(25,277) | \$(62,193) | B00040 | Increase in financial assets measured at amortized cost | (1) | (2) |
| A20000 | Adjustments: | | | B02700 | Acquisition of property, plant and equipment | (11,451) | (17,790) |
| A20010 | Profit or loss not effecting cash flows: | | | B02800 | Proceeds from disposal of property, plant and equipment | - | 49 |
| A20100 | Depreciation (including right-of-use assets) | 25,269 | 24,750 | B03700 | Increase in refundable deposits | (215) | (5) |
| A20200 | Amortization | 11,311 | 11,202 | B03800 | Decrease in refundable deposits | 13 | 31 |
| A20300 | Expected credit losses (gain on recovery) | - | (29) | B04500 | Acquisition of intangible assets | (294) | - |
| A20400 | Net loss (gain) of financial assets at fair value through P/L | (123) | 10,845 | BBBB | Net cash provided by (used in) investing activities | (11,948) | (17,717) |
| A20900 | Interest expense | 843 | 593 | | | | |
| A21200 | Interest income | (1,295) | (1,357) | CCCC | Cash flows from financing activities: | | |
| A22500 | Gain on disposal of property, plant and equipment | - | (1) | C01700 | Repayments of long-term loans | (10,000) | (10,000) |
| A22600 | Property, plant and equipment transferred to expense | 522 | - | C04020 | Payments of lease liabilities | (7,081) | (5,553) |
| A30000 | Changes in operating assets and liabilities: | | | CCCC | Net cash provided by (used in) financing activities | (17,081) | (15,553) |
| A31150 | Accounts receivable (Increase) Decrease | 4,937 | 49,096 | | | | |
| A31160 | Accounts receivable - related parties (Increase) Decrease | 32,492 | (18,800) | DDDD | Effect of exchange rate changes | 920 | 2,880 |
| A31180 | Other receivables (Increase) Decrease | 2,582 | (816) | EEEE | Net increase (decrease) in cash and cash equivalents | (50,284) | (1,797) |
| A31190 | Other receivables - related parties (Increase) Decrease | 51 | 73 | E00100 | Cash and cash equivalents at beginning of period | 541,627 | 547,161 |
| A31200 | Inventories (Increase) Decrease | 101,874 | 43,339 | E00200 | Cash and cash equivalents at end of period | \$491,343 | \$545,364 |
| A31230 | Prepayments (Increase) Decrease | 680 | 1,603 | | | | |
| A31240 | Other current assets (Increase) Decrease | (3,455) | 493 | | | | |
| A32125 | Contract liabilities Increase (decrease) | 2,449 | (569) | | | | |
| A32150 | Accounts payable Increase (decrease) | (117,579) | (16,364) | | | | |
| A32160 | Accounts payable - related parties Increase (decrease) | (23,799) | 647 | | | | |
| A32180 | Other payables Increase (decrease) | (41,588) | (17,050) | | | | |
| A32190 | Other payables - related parties Increase (decrease) | 3,174 | 882 | | | | |
| A32230 | Other current liabilities Increase (decrease) | 4,162 | 1,795 | | | | |
| A32240 | Net defined benefit liabilities Increase (decrease) | (32) | (30) | | | | |
| A33000 | Cash generated from (used in) operations | (22,802) | 28,109 | | | | |
| A33100 | Interest received | 1,295 | 1,357 | | | | |
| A33300 | Interest paid | (523) | (526) | | | | |
| A33500 | Income tax paid | (145) | (347) | | | | |
| AAAA | Net cash provided by (used in) operating activities | (22,175) | 28,593 | | | | |

(The accompanying notes are an integral part of the consolidated financial statements.)

1. HISTORY AND ORGANIZATION

Simula Technology Inc. (referred to “the Company”) was established on December 15, 2003. Its main business activities include the manufacture of electronic products, the whole-sale and product designing, and international trading. The Company’s common shares were publicly listed on the Taiwan Over-The-Counter Securities Exchanges on September 16, 2008. The registered business premise and main operation address is at 14F., No. 1351, Zhongzheng Rd., Taoyuan Dist., Taoyuan City, Taiwan.

Qisda Corporation is the ultimate controller of the Group to which the Company belongs.

2. DATE AND PROCEDURE OF AUTHORIZATION OF FINANCIAL STATEMENTS FOR ISSUE

The consolidated financial statements of the Company and its subsidiaries (“the Group”) for the three-month periods ended March 31, 2025 and 2024 were authorized for issue by the Board of Directors on April 25, 2025.

3. NEWLY ISSUED OR REVISED STANDARDS AND INTERPRETATIONS

- (1) Changes in accounting policies resulting from applying for the first-time certain standards and amendments

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after 1 January 2025. The adoption of these new standards and amendments and interpretations of initial application has no material impact on the Group.

- (2) The Q&A related to the early application of certain amendments to IFRS 9 and IFRS 7 "Amendments to the Classification and Measurement of Financial Instruments" issued by the FSC, which has not yet been adopted by the Group as at the date when the Group’s financial statements were authorized for issue.

In the Q&A, only Section 4.1 (Classification of Financial Assets) of the application guidance is allowed to early adopt from 1 January 2025. Additionally, entities must also comply with the requirements of paragraphs 20B, 20C and 20D of IFRS 7 and disclose the fact of early adoption of these amendments in the financial statements.

- (3) Standards or interpretations issued, revised or amended, by International Accounting Standards Board (“IASB”) which have not endorsed by FSC, and not yet adopted by the Group as at the date when the Group’s financial statements were authorized for issue, are listed below.

| Items | New, Revised or Amended Standards and Interpretations | Effective Date issued by IASB |
|-------|--|-------------------------------|
| A | IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB |
| B | IFRS 17 “Insurance Contracts” | January 1, 2023 |
| C | IFRS 18 “Presentation and Disclosure in Financial Statements” | January 1, 2027 |
| D | Disclosure Initiative — Subsidiaries without Public Accountability: Disclosures (IFRS 19) | January 1, 2027 |
| E | Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7 | January 1, 2026 |
| F | Annual Improvements to IFRS Accounting Standards — Volume 11 | January 1, 2026 |
| G | Contracts Referencing Nature-dependent Electricity — Amendments to IFRS 9 and IFRS 7 | January 1, 2026 |

(A) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

(B) IFRS 17 “Insurance Contracts”

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation, and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims.

Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IFRS 17 was issued in May 2017, and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 by two years to annual beginning on or after January 1, 2023 (from the original effective date of 1 January 2021); provide additional transition reliefs; simplify some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. IFRS 17 replaces an interim Standard – IFRS 4 Insurance Contracts – from annual reporting periods beginning on or after January 1, 2023.

(C) IFRS 18 “Presentation and Disclosure in Financial Statements”

IFRS 18 replaces IAS 1 Presentation of Financial Statements. The main changes are as below:

(a) Improved comparability in the statement of profit or loss (income statement)

IFRS 18 requires entities to classify all income and expenses within their statement of profit or loss into one of five categories: operating; investing; financing; income taxes; and discontinued operations. The first three categories are new, to improve the structure of the income statement, and requires all entities to provide new defined subtotals, including operating profit or loss. The improved structure and new subtotals will give investors a consistent starting point for analyzing entities’ performance and make it easier to compare entities.

(b) Enhanced transparency of management-defined performance measures

IFRS 18 requires entities to disclose explanations of those entity-specific measures that are related to the income statement, referred to as management-defined performance measures.

(c) Useful grouping of information in the financial statements

IFRS 18 sets out enhanced guidance on how to organize information and whether to provide it in the primary financial statements or in the notes. The changes are expected to provide more detailed and useful information. IFRS 18 also requires entities to provide more transparency about operating expenses, helping investors to find and understand the information they need.

(D) Disclosure Initiative — Subsidiaries without Public Accountability: Disclosures (IFRS 19)

This standard permits subsidiaries without public accountability to provide reduced disclosures when applying IFRS Accounting Standards in their financial statements. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

(E) Amendments to the Classification and Measurement of Financial Instruments — Amendments to IFRS 9 and IFRS 7

The amendments include:

- (a) Clarify that a financial liability is derecognised on the settlement date and describe the accounting treatment for settlement of financial liabilities using an electronic payment system before the settlement date.
- (b) Clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features.
- (c) Clarify the treatment of non-recourse assets and contractually linked instruments.
- (d) Require additional disclosures in IFRS 7 for financial assets and liabilities with contractual terms that reference a contingent event (including those that are ESG-linked), and equity instruments classified at fair value through other comprehensive income.

(F) Annual Improvements to IFRS Accounting Standards — Volume 11

(a) Amendments to IFRS 1

The amendments mainly improve the consistency in wording between first-time adoption of IFRS and requirements for hedge accounting in IFRS 9.

(b) Amendments to IFRS 7

The amendments update an obsolete cross-reference relating to gain or loss on derecognition.

(c) Amendments to Guidance on implementing IFRS 7

The amendments improve some of the wordings in the implementation guidance, including the introduction, disclosure of deferred difference between fair value and transaction price and credit risk disclosures.

(d) Amendments to IFRS 9

The amendments add a cross-reference to resolve potential confusion for a lessee applying the derecognition requirements and clarify the term “transaction price”.

(e) Amendments to IFRS 10

The amendments remove the inconsistency between paragraphs B73 and B74 of IFRS 10.

(f) Amendments to IAS 7

The amendments remove a reference to “cost method” in paragraph 37 of IAS 7.

(G) Contracts Referencing Nature-dependent Electricity — Amendments to IFRS 9 and IFRS 7

The amendments include:

(a) Clarify the application of the ‘own-use’ requirements.

(b) Permit hedge accounting if these contracts are used as hedging instruments.

(c) Add new disclosure requirements to enable investors to understand the effect of these contracts on a company’s financial performance and cash flows.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the new or amended standards and interpretations listed under (c), it is not practicable to estimate their impact on the Group at this point in time. The remaining new or amended standards and interpretations have no material impact on the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Statement of compliance

The consolidated financial statements for the three-month periods ended March 31, 2025 and 2024 have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers ("the Regulations") and IAS 34, "Interim Financial Reporting," as endorsed and became effective by the FSC.

Except for the following 4(3)~4(5), the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2024. For more details, please refer to Note 4 of the Company's consolidated financial statements for the year ended December 31, 2024.

(2) Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of New Taiwan Dollars ("NT\$") unless otherwise specified.

(3) Basis of consolidation

The same principles of consolidation have been applied in the Company's consolidated financial statements as those applied in the Company's consolidated financial statements for the year ended December 31, 2024. For the principles of consolidation, please refer to Note 4(3) of the Company's consolidated financial statements for the year ended December 31, 2024.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The consolidated entities are listed as follows:

| Investor | Subsidiary | Main business | Percentage of Ownership (%), as of | | |
|------------------------|---------------------------------------|--|------------------------------------|--------------|--------------|
| | | | Mar 31, 2025 | Dec 31, 2024 | Mar 31, 2024 |
| The Company | ASPIRE ASIA INC. | Investing activities | 100.00% | 100.00% | 100.00% |
| The Company | Simula Technology CORP. | Sells in Northern America | 100.00% | 100.00% | 100.00% |
| The Company | Simula Company Limited | Investing activities | 52.31% | 52.31% | 52.31% |
| The Company | Action Star Technology Co., Ltd. | R&D & development manufacture and sale of USB docking station product | 59.35% | 59.35% | 59.35% |
| ASPIRE ASIA INC. | Simula Company Limited | Investing activities | 47.69% | 47.69% | 47.69% |
| ASPIRE ASIA INC. | ASPIRE ELECTRONICS CORP. | Investing activities | -% (Note) | -% (Note) | 95.10% |
| Simula Company Limited | Simula Technology (ShenZhen) Co., LTD | Manufacture of electronic connector, socket, and plastic hardware | 100.00% | 100.00% | 100.00% |

Note : ASPIRE ELECTRONICS CORP. completed the liquidation process on August 2, 2024.

(4) Post-employment benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events.

(5) Income tax

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The income tax for undistributed earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- i. Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

- ii. In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- i. Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination; at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- ii. In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

According to the temporary exception in the International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12), information about deferred tax assets and liabilities related to Pillar Two income tax will neither be recognized nor be disclosed.

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the interim period. The estimated average annual effective income tax rate only includes current income tax. The recognition and measurement of deferred tax follows annual financial reporting requirements in accordance with IAS 12. The Group recognizes the effect of change in tax rate for deferred taxes in full if the new tax rate is enacted by the end of the interim reporting period, by charging to profit or loss, other comprehensive income, or directly to equity.

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The same significant accounting judgments, estimates and assumptions have been applied in the Company's consolidated financial statements for the three-month period ended March 31, 2025 as those applied in the Company's consolidated financial statements for the year ended December 31, 2024. For significant accounting judgments, estimates and assumptions, please refer to Note 5 of the Company's consolidated financial statements for the year ended December 31, 2024.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

6. CONTENTS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | As of | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Cash and petty cash | \$1,232 | \$641 | \$634 |
| Checkings and savings | 273,529 | 276,006 | 194,799 |
| Time deposit | 159,980 | 209,980 | 279,931 |
| Notes purchased under resale agreements | 56,602 | 55,000 | 70,000 |
| Total | <u>\$491,343</u> | <u>\$541,627</u> | <u>\$545,364</u> |

(2) Financial assets at fair value through profit or loss

| | As of | | |
|---|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Mandatorily measured at fair value through profit or loss: | | | |
| Derivatives not designated as hedging instruments | | | |
| Forward currency contract | \$- | \$- | \$- |
| Valuation adjustment of financial assets as measured by fair value through profit or loss | 19 | - | 8 |
| Total | <u>\$19</u> | <u>\$-</u> | <u>\$8</u> |
| Current | <u>\$19</u> | <u>\$-</u> | <u>\$8</u> |
| Non-current | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

No financial assets at fair value through profit or loss were pledged as collateral.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Financial assets measured at amortized cost

| | As of | | |
|-------------------------------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Time deposit | \$119,960 | \$119,960 | \$119,960 |
| Certificate of deposit - restricted | 5,090 | 4,992 | 4,917 |
| Total | <u>\$125,050</u> | <u>\$124,952</u> | <u>\$124,877</u> |
| Current | <u>\$125,050</u> | <u>\$124,952</u> | <u>\$124,877</u> |
| Non-current | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

Please refer to Note 8 for more details on financial assets measured at amortized cost pledged as collaterals.

(4) Accounts receivable and accounts receivable – related parties, net

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Accounts receivable, gross | \$353,398 | \$358,335 | \$303,028 |
| Less: loss allowance | (1,964) | (1,964) | (1,964) |
| Net | <u>351,434</u> | <u>356,371</u> | <u>301,064</u> |
| Accounts receivable - related parties, gross | 69,478 | 101,970 | 44,522 |
| Less: loss allowance | - | - | - |
| Net | <u>69,478</u> | <u>101,970</u> | <u>44,522</u> |
| Total | <u>\$420,912</u> | <u>\$458,341</u> | <u>\$345,586</u> |

Accounts receivable were not pledged.

Accounts receivable are generally on 30-120 day terms. The total carrying amount is NT\$422,876 thousand, NT\$460,305 thousand and NT\$347,550 thousand as of March 31, 2025, December 31, 2024 and March 31, 2024, respectively. Please refer to Note 6 (16) for more details on loss allowance of accounts receivable for the three-month periods ended March 31, 2025 and 2024. Please refer to Note 12 for more details on credit risk management.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Inventory

| As of March 31, 2025 | | | |
|----------------------|--------------------|---|------------------|
| | | Allowance for Inventory Valuation and Obsolescence | |
| | Inventories, gross | Losses | Inventories, net |
| Raw material | \$126,637 | \$(31,207) | \$95,430 |
| Supplies | 1,658 | (218) | 1,440 |
| Work in process | 93,708 | (11,834) | 81,874 |
| Finished goods | 89,763 | (11,058) | 78,705 |
| Total | <u>\$311,766</u> | <u>\$(54,317)</u> | <u>\$257,449</u> |

| As of December 31, 2024 | | | |
|-------------------------|--------------------|---|------------------|
| | | Allowance for Inventory Valuation and Obsolescence | |
| | Inventories, gross | Losses | Inventories, net |
| Raw material | \$195,749 | \$(27,908) | \$167,841 |
| Supplies | 2,055 | (211) | 1,844 |
| Work in process | 118,470 | (13,603) | 104,867 |
| Finished goods | 94,580 | (9,809) | 84,771 |
| Total | <u>\$410,854</u> | <u>\$(51,531)</u> | <u>\$359,323</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | As of March 31, 2024 | | |
|-----------------|----------------------|---|------------------|
| | | Allowance for Inventory Valuation and Obsolescence | |
| | Inventories, gross | Losses | Inventories, net |
| Raw material | \$153,473 | \$(35,329) | \$118,144 |
| Supplies | 3,177 | (811) | 2,366 |
| Work in process | 96,977 | (8,625) | 88,352 |
| Finished goods | 77,534 | (11,904) | 65,630 |
| Total | <u>\$331,161</u> | <u>\$(56,669)</u> | <u>\$274,492</u> |

A. For the three-month periods ended March 31, 2025 and 2024, the Group recognized NT\$399,532 thousand and NT\$327,516 thousand under the caption of costs of sale, respectively. The following items were also included in cost:

| Item | For the three-month period ended March 31, | |
|--|--|----------------|
| | 2025 | 2024 |
| Loss from inventory market decline | \$2,546 | \$7,298 |
| Loss from physical | - | (62) |
| Loss from inventory write-off obsolescence | 63 | 855 |
| Total | <u>\$2,609</u> | <u>\$8,091</u> |

B. The inventories were not pledged.

(6) Financial assets at fair value through OCI

| | As of | | |
|----------------------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Unlisted companies' stocks | <u>\$1,447</u> | <u>\$1,447</u> | <u>\$3,858</u> |

Financial assets at fair value through OCI were not pledged.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(7) Property, plant, and equipment

| | Land | Buildings | Machinery | Office Equipment | Transportation | Lease Improvement | Other Equipment | Total |
|-------------------------------------|------------------|------------------|------------------|---------------------|----------------|----------------------|--------------------|--------------------|
| <u>Cost:</u> | | | | | | | | |
| As of 1/1/2025 | \$210,926 | \$432,653 | \$312,379 | \$24,286 | \$6,601 | \$150,544 | \$131,987 | \$1,269,376 |
| Addition | - | - | 1,039 | 824 | - | 77 | 3,878 | 5,818 |
| Other changes | - | - | 87 | - | - | 502 | (32) | 557 |
| Effect of EX rate | - | - | 1,603 | 79 | 28 | 2,782 | 1,912 | 6,404 |
| As of 3/31/2025 | <u>\$210,926</u> | <u>\$432,653</u> | <u>\$315,108</u> | <u>\$25,189</u> | <u>\$6,629</u> | <u>\$153,905</u> | <u>\$137,745</u> | <u>\$1,282,155</u> |
| As of 1/1/2024 | \$210,926 | \$431,657 | \$289,455 | \$22,628 | \$6,393 | \$142,869 | \$101,257 | \$1,205,185 |
| Addition | - | - | 1,635 | 262 | - | 578 | 3,203 | 5,678 |
| Disposals | - | (49) | (100) | (176) | - | - | (618) | (943) |
| Effect of EX rate | - | - | 1,480 | 93 | 84 | 2,942 | 1,637 | 6,236 |
| As of 3/31/2024 | <u>\$210,926</u> | <u>\$431,608</u> | <u>\$292,470</u> | <u>\$22,807</u> | <u>\$6,477</u> | <u>\$146,389</u> | <u>\$105,479</u> | <u>\$1,216,156</u> |
| <u>Depreciation and impairment:</u> | | | | | | | | |
| As of 1/1/2025 | \$- | \$148,220 | \$214,898 | \$16,352 | \$4,631 | \$66,207 | \$91,475 | \$541,783 |
| Depreciation | - | 4,250 | 5,936 | 1,051 | 199 | 1,562 | 5,397 | 18,395 |
| Other changes | - | - | - | - | - | - | (54) | (54) |
| Effect of EX rate | - | - | 922 | 71 | 28 | 1,218 | 1,331 | 3,570 |
| As of 3/31/2025 | <u>\$-</u> | <u>\$152,470</u> | <u>\$221,756</u> | <u>\$17,474</u> | <u>\$4,858</u> | <u>\$68,987</u> | <u>\$98,149</u> | <u>\$563,694</u> |
| As of 1/1/2024 | \$- | \$129,447 | \$186,426 | \$12,347 | \$3,706 | \$58,235 | \$73,884 | \$464,045 |
| Depreciation | - | 5,463 | 7,725 | 1,145 | 195 | 1,419 | 3,490 | 19,437 |
| Disposal | - | (1) | (100) | (176) | - | - | (618) | (895) |
| Effect of EX rate | - | - | 784 | 70 | 84 | 1,198 | 1,153 | 3,289 |
| As of 3/31/2024 | <u>\$-</u> | <u>\$134,909</u> | <u>\$194,835</u> | <u>\$13,386</u> | <u>\$3,985</u> | <u>\$60,852</u> | <u>\$77,909</u> | <u>\$485,876</u> |
| <u>Net carrying amount:</u> | | | | | | | | |
| As of 3/31/2025 | <u>\$210,926</u> | <u>\$280,183</u> | <u>\$93,352</u> | <u>\$7,715</u> | <u>\$1,771</u> | <u>\$84,918</u> | <u>\$39,596</u> | <u>\$718,461</u> |
| As of 12/31/2024 | <u>\$210,926</u> | <u>\$284,433</u> | <u>\$97,481</u> | <u>\$7,934</u> | <u>\$1,970</u> | <u>\$84,337</u> | <u>\$40,512</u> | <u>\$727,593</u> |
| As of 3/31/2024 | <u>\$210,926</u> | <u>\$296,699</u> | <u>\$97,635</u> | <u>\$9,421</u> | <u>\$2,492</u> | <u>\$85,537</u> | <u>\$27,570</u> | <u>\$730,280</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The property, plant and equipment were not pledged.

(8) Intangible assets

| | Patent | Computer software | Technology expertise | Customer relationship | Goodwill | Total |
|-------------------------------------|--------------|-------------------|----------------------|-----------------------|-----------------|------------------|
| <u>Cost:</u> | | | | | | |
| As of January 1, 2025 | \$314 | \$31,038 | \$356,326 | \$115,236 | \$75,095 | \$578,009 |
| Additions – acquired separately | - | 294 | - | - | - | 294 |
| Other changes | - | 4,622 | - | - | - | 4,622 |
| Effect of exchange rate changes | - | 87 | - | - | - | 87 |
| As of March 31, 2025 | <u>\$314</u> | <u>\$36,041</u> | <u>\$356,326</u> | <u>\$115,236</u> | <u>\$75,095</u> | <u>\$583,012</u> |
| As of January 1, 2024 | \$314 | \$26,561 | \$356,326 | \$115,236 | \$75,095 | \$573,532 |
| Additions – acquired separately | - | - | - | - | - | - |
| Derecognized upon retirement | - | - | - | - | - | - |
| Effect of exchange rate changes | - | 71 | - | - | - | 71 |
| As of March 31, 2024 | <u>\$314</u> | <u>\$26,632</u> | <u>\$356,326</u> | <u>\$115,236</u> | <u>\$75,095</u> | <u>\$573,603</u> |
| <u>Amortization and Impairment:</u> | | | | | | |
| As of January 1, 2025 | \$314 | \$22,843 | \$132,524 | \$22,895 | \$- | \$178,576 |
| Amortization | - | 864 | 8,908 | 1,539 | - | 11,311 |
| Effect of exchange rate changes | - | 44 | - | - | - | 44 |
| As of March 31, 2025 | <u>\$314</u> | <u>\$23,751</u> | <u>\$141,432</u> | <u>\$24,434</u> | <u>\$-</u> | <u>\$189,931</u> |
| As of January 1, 2024 | \$314 | \$19,778 | \$96,891 | \$16,739 | \$- | \$133,722 |
| Amortization | - | 755 | 8,908 | 1,539 | - | 11,202 |
| Derecognized upon retirement | - | - | - | - | - | - |
| Effect of exchange rate changes | - | 29 | - | - | - | 29 |
| As of March 31, 2024 | <u>\$314</u> | <u>\$20,562</u> | <u>\$105,799</u> | <u>\$18,278</u> | <u>\$-</u> | <u>\$144,953</u> |
| <u>Carrying amount, net:</u> | | | | | | |
| As of March 31, 2025 | <u>\$-</u> | <u>\$12,290</u> | <u>\$214,894</u> | <u>\$90,802</u> | <u>\$75,095</u> | <u>\$393,081</u> |
| As of December 31, 2024 | <u>\$-</u> | <u>\$8,195</u> | <u>\$223,802</u> | <u>\$92,341</u> | <u>\$75,095</u> | <u>\$399,433</u> |
| As of March 31, 2024 | <u>\$-</u> | <u>\$6,070</u> | <u>\$250,527</u> | <u>\$96,958</u> | <u>\$75,095</u> | <u>\$428,650</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Amounts of amortization recognized for intangible assets are as follows:

| | For the three-month period ended March 31, | |
|-------------------|--|-----------------|
| | 2025 | 2024 |
| Operating costs | \$148 | \$140 |
| Operating expense | 11,163 | 11,062 |
| Total | <u>\$11,311</u> | <u>\$11,202</u> |

(9) Short-term loans

| | Unsecured bank loans | 2025.03.31 | 2024.12.31 | 2024.03.31 |
|----------------------|----------------------|-----------------|-----------------|------------|
| Unsecured bank loans | 2.15%~2.36% | <u>\$30,000</u> | <u>\$30,000</u> | <u>\$-</u> |

The Group's unused short-term lines of credits amounts to NT\$511,000 thousand and NT\$669,355 thousand and 1,077,000 thousand, as of March 31, 2025, December 31, 2024 and March 31, 2024, respectively.

(10) Financial liabilities at fair value through profit or loss

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Mandatorily measured at fair value through profit or loss: | | | |
| Derivatives not designated as hedging instruments | | | |
| Forward currency contract | \$- | \$- | \$- |
| Valuation adjustment of financial liabilities as measured by fair value through profit or loss | 3,628 | 3,732 | 4,789 |
| Total | <u>\$3,628</u> | <u>\$3,732</u> | <u>\$4,789</u> |
| Current | <u>\$3,628</u> | <u>\$3,732</u> | <u>\$4,789</u> |
| Non-current | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Other payables

| | As of | | |
|--------------------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Employee benefit payable | \$46,782 | \$57,821 | \$58,288 |
| Equipment payable | 3,336 | 4,361 | 4,519 |
| Other payables | 99,024 | 129,592 | 94,328 |
| Total | <u>\$149,142</u> | <u>\$191,774</u> | <u>\$157,135</u> |

(12) Long-term loans

Details of long-term loans as of March 31, 2025 were as follows:

| Debtor | As of March 31, 2025 | Interest rate | Repayment |
|-------------------------------------|----------------------------|----------------------------------|--|
| Taiwan Business Bank Credit loan | \$60,000 | Variable interest rate +0.41% | Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand. |
| Less: current portion | <u>(40,000)</u> | | |
| Total | <u>\$20,000</u> | | |

Details of long-term loans as of December 31, 2024 were as follows:

| Debtor | As of December 31, 2024 | Interest rate | Repayment |
|-------------------------------------|-------------------------------|----------------------------------|--|
| Taiwan Business Bank Credit loan | \$70,000 | Variable interest rate +0.41% | Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand. |
| Less: current portion | <u>(40,000)</u> | | |
| Total | <u>\$30,000</u> | | |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Details of long-term loans as of March 31, 2024 were as follows:

| Debtor | As of March 31, 2024 | Interest rate | Repayment |
|-------------------------------------|----------------------------|----------------------------------|--|
| Taiwan Business Bank Credit loan | \$100,000 | Variable interest rate +0.41% | Effective July 5, 2021 to July 5, 2026. Repayable quarterly NT\$10,000 thousand. |
| Less: current portion | (40,000) | | |
| Total | <u>\$60,000</u> | | |

There are no pledge or collateral for long-term loans of the Group.

(13) Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plan for the three-month periods ended March 31, 2025 and 2024 were NT\$2,751 thousand and NT\$2,872 thousand, respectively.

Defined benefits plan

Pension for the three-month periods ended March 31, 2025 and 2024 were NT\$6 thousand and NT\$8 thousand, respectively.

(14) Equity

A. Common stock

As of March 31, 2025, and 2024, the Company's authorized capital were NT\$1,200,000 thousand, and paid-in capital were NT\$799,729 thousand, each share at par value of NT\$10, divided into 79,972,945 shares.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Capital surplus

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Additional paid-in capital | \$545,978 | \$545,978 | \$545,978 |
| All changes in interests in subsidiaries | 1,172 | 1,172 | 1,172 |
| Changes in equity of investment accounted for using equity method | 1,350 | 1,350 | 1,350 |
| Other | 3,218 | 3,218 | 3,218 |
| Total | <u>\$551,718</u> | <u>\$551,718</u> | <u>\$551,718</u> |

According to Company Act, the capital surplus shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company up to a certain percentage of paid-in capital. The said capital surplus could be distributed in cash to its shareholders in proportion to the number of shares being held by each of them. Capital surplus related to long-term equity investments cannot be used for any purpose.

C. Appropriation of earnings and dividend policies

(a) Legal reserve

According to the Company Act, legal reserve shall be set aside until such amount equal total authorized capital. Legal reserve can be used to offset deficits. If the Company does not incur any loss, the portion of legal reserve exceeding 25% of the paid-in capital may be distributed to shareholders by issuing new shares or by cash in proportion to the number of shares held by each shareholder.

(b) Special reserve

The FSC issued Order No. Financial-Supervisory-Securities-Corporate-1090150022 on March 31, 2021, which sets out the following provisions for compliance:

On a public company's first-time adoption of the IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside special reserve. For any subsequent use, disposal or reclassification of related assets, the company can reverse the special reserve by proportion and transfer to retained earnings.

As of March 31, 2025 and 2024, the Company first-time adoption of T-IFRS NT\$26,375 thousand, respectively.

(c) Earning distribution and dividend policies

(1) Earning distribution

According to the Company's Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offsetting prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting. If the preceding paragraph is done in cash, it should authorize the board of directors to resolve and report to the shareholders' meeting.

(2)Dividend policies

The company's dividend policy is in line with the growth characteristics of the technology industry and the overall environment, while taking into account a stable and balanced dividend policy, and taking into account factors such as profitability, financial structure, and future development. If there is a surplus in the final annual accounts and the distributable surplus for the current year reaches 2% of the capital, the dividend distribution should not be less than 10% of the distributable surplus for the year. The distribution of surplus may be made in accordance with the company's overall capital budget planning. Accordingly, at least 10% of the dividends must be paid in the form of cash.

The Company may issue new shares or cash in accordance with the Company Act 241 in the form of statutory surplus reserve or capital reserve, and if the preceding paragraph is done in cash, it should authorize the board of directors to resolve and report to the shareholders' meeting.

As of December 31, 2024, the Company incurred accumulated losses and therefore had no proposal from the board of directors regarding the distribution of earnings.

On June 7, 2024, the shareholders' meeting of this company resolved to use the legal reserve of \$9,402 thousand to make up for the offsetting accumulated deficits.

Please refer to Note 6(18) for details on employees' compensation and remuneration to directors and supervisors.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Non-controlling interests

| | For the three-month period ended March 31, | |
|---|---|------------------|
| | 2025 | 2024 |
| Beginning balance | \$547,105 | \$607,695 |
| Profit (loss) attributable to non-controlling interests | (3,420) | (15,076) |
| Other comprehensive income, attributable to non-controlling interests, net of tax: | | |
| Exchange differences resulting from translating the financial statements of a foreign operation | - | - |
| Ending balance | <u>\$543,685</u> | <u>\$592,619</u> |

(15) Operating revenue

| | For the three-month period ended March 31, | |
|---------------------------------|--|------------------|
| | 2025 | 2024 |
| Revenue from customer contracts | | |
| Sales of goods | <u>\$461,773</u> | <u>\$352,473</u> |

Analysis of revenue from contracts with customers for the three-month periods ended March 31, 2025 and 2024 are as follows:

A. Disaggregation of revenue

For the three-month period ended March 31, 2025

| | Single department |
|-------------------------------------|-------------------|
| Sales of goods | <u>\$461,773</u> |
| The timing for revenue recognition: | |
| At a point in time | <u>\$461,773</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month period ended March 31, 2024

| | Single department |
|-------------------------------------|-------------------|
| Sales of goods | <u>\$352,473</u> |
| The timing for revenue recognition: | |
| At a point in time | <u>\$352,473</u> |

B. Contract balances

a. Contract liabilities – current

| | As of | | | |
|----------------|-------------------|--------------------|-------------------|--------------------|
| | March 31, 2025 | January 1, 2025 | March 31, 2024 | January 1, 2024 |
| Sales of goods | <u>\$18,762</u> | <u>\$16,313</u> | <u>\$11,377</u> | <u>\$11,946</u> |

The significant changes in the Group's balances of contract liabilities for the three-month periods ended March 31, 2025 and 2024 are as follows:

| | For the three-month period ended March 31, | |
|--|--|-----------|
| | 2025 | 2024 |
| The opening balance transferred to revenue | \$(2,422) | \$(1,841) |
| Increase in receipts in advance during the period (excluding the amount incurred and transferred to revenue during the period) | 4,871 | 1,272 |

C. Assets recognized from costs to fulfil a contract: None.

(16) Expected credit (gains) losses

| | For the three-month period ended March 31, | |
|---|--|---------------|
| | 2025 | 2024 |
| Operating expenses – Expected credit gains (losses) | | |
| Accounts receivable | <u>\$-</u> | <u>\$(29)</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Please refer to Note 12 for more details on credit risk.

The Group measures the loss allowance of its accounts receivable at an amount equal to lifetime expected credit losses. The assessment of the Group's loss allowance as of March 31, 2025, December 31, 2024, and March 31, 2024, are as follows:

The Group considers the grouping of accounts receivable by counterparties' credit rating, by geographical region and by industry sector and its loss allowance is measured by using a provision matrix. Details are as follows:

| March 31, 2025 | | Past due | | | | | Total |
|--|------------------|-----------------|-----------------|-------------|----------------|------------|------------------|
| | Not past due | <=30 days | 31-90 days | 91-120 days | 121-270 days | >=271 days | |
| Gross carrying amount | \$364,740 | \$33,058 | \$25,078 | \$- | \$- | \$- | \$422,876 |
| Loss ratio | -% | 0.8% | 6.8% | - | -% | -% | |
| Lifetime expected credit losses | - | (251) | (1,713) | - | - | - | (1,964) |
| Carrying amount of accounts receivable | <u>\$364,740</u> | <u>\$32,807</u> | <u>\$23,365</u> | <u>\$-</u> | <u>\$-</u> | <u>\$-</u> | <u>\$420,912</u> |
| December 31, 2024 | | Past due | | | | | Total |
| | Not past due | <=30 days | 31-90 days | 91-120 days | 121-270 days | >=271 days | |
| Gross carrying amount | \$429,147 | \$31,144 | \$- | \$14 | \$- | \$- | \$460,305 |
| Loss ratio | -% | 6.3% | -% | 50% | -% | -% | |
| Lifetime expected credit losses | - | (1,957) | - | (7) | - | - | (1,964) |
| Carrying amount of accounts receivable | <u>\$429,147</u> | <u>\$29,187</u> | <u>\$-</u> | <u>\$7</u> | <u>\$-</u> | <u>\$-</u> | <u>\$458,341</u> |
| March 31, 2024 | | Past due | | | | | Total |
| | Not past due | <=30 days | 31-90 days | 91-120 days | 121-270 days | >=271 days | |
| Gross carrying amount | \$319,615 | \$16,993 | \$4,763 | \$- | \$6,179 | \$- | \$347,550 |
| Loss ratio | -% | 1% | -% | -% | 30% | -% | |
| Lifetime expected credit losses | - | (132) | - | - | (1,832) | - | (1,964) |
| Carrying amount of accounts receivable | <u>\$319,615</u> | <u>\$16,861</u> | <u>\$4,763</u> | <u>\$-</u> | <u>\$4,347</u> | <u>\$-</u> | <u>\$345,586</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The movement in the provision for impairment of accounts receivable for the three-month periods ended March 31, 2025 and 2024 are as follows:

| | <u>Accounts receivable</u> |
|---|----------------------------|
| As of January 1, 2025 | \$1,964 |
| Addition (reversal) | <u>-</u> |
| As of March 31, 2025 | <u>\$1,964</u> |
| As of January 1, 2024 | \$1,964 |
| Addition (reversal) | (29) |
| Overdue receivables transferred to loss allowance | <u>29</u> |
| As of March 31, 2024 | <u>\$1,964</u> |

(17) Leases

Group as a lessee

The Group leases various properties, including real estate such as land, buildings, office and equipment and transportation equipment. The lease terms range from 2 to 18 years.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group's leases effect on the financial position, financial performance and cash flows are as follows:

A. Amounts recognized in the balance sheet

a. Right-of-use assets

Carrying amount of right-of-use-assets

| | As of | | |
|--------------------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Land | \$2,691 | \$- | \$- |
| Buildings | 55,768 | 59,012 | 7,407 |
| Transportation equipment | 761 | 250 | 423 |
| Office equipment | 105 | 117 | 155 |
| Total | <u>\$59,325</u> | <u>\$59,379</u> | <u>\$7,985</u> |

b. Lease liabilities

| | As of | | |
|-------------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Lease liabilities | <u>\$60,294</u> | <u>\$60,199</u> | <u>\$8,605</u> |
| Current | <u>\$27,913</u> | <u>\$25,112</u> | <u>\$4,512</u> |
| Non-current | <u>\$32,381</u> | <u>\$35,087</u> | <u>\$4,093</u> |

Please refer to Note 6(19) (4) for the interest on lease liabilities recognized for the three-month periods ended March 31, 2025 and 2024 and refer to Note 12(5) Liquidity Risk Management for the maturity analysis for lease liabilities as of March 31, 2025, December 31, 2024, and March 31, 2024.

B. Amounts recognized in the income statement

Depreciation of right-of-use assets

| | For the three-month period ended March 31, | |
|--------------------------|--|----------------|
| | 2025 | 2024 |
| Land | \$141 | \$- |
| Buildings | 6,608 | 5,242 |
| Transportation equipment | 112 | 58 |
| Office equipment | 13 | 13 |
| Total | <u>\$6,874</u> | <u>\$5,313</u> |

C. Income and costs relating to leasing activities

| | For the three-month period ended March 31, | |
|---|--|---------|
| | 2025 | 2024 |
| The expenses relating to short-term leases | \$910 | \$1,011 |
| The expenses relating to leases of low-value assets-non-current | - | - |

The portfolio of short-term leases of the Group to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses disclosed above, and the amount of its lease commitments is NT\$0.

D. Cash outflow relating to leasing activities

During the three-month period March 31, 2025 and 2024, the Group's total cash outflow for leases amounting to NT\$7,991 thousand and NT\$6,564 thousand, respectively.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(18) Summary statement of employee benefits, depreciation and amortization by function is as follows:

| Nature \ Function | For the three-month period ended March 31, | | | | | |
|--------------------------------|--|--------------------|----------|-----------------|--------------------|----------|
| | 2025 | | | 2024 | | |
| | Operating Costs | Operating expenses | Total | Operating Costs | Operating expenses | Total |
| Employee benefit expense | | | | | | |
| Salaries | \$48,715 | \$34,247 | \$82,962 | \$48,382 | \$35,436 | \$83,818 |
| Labor and health insurance | 5,968 | 3,549 | 9,517 | 5,110 | 3,579 | 8,689 |
| Pension | 1,036 | 1,721 | 2,757 | 1,122 | 1,758 | 2,880 |
| Other employee benefit expense | 7,600 | 6,937 | 14,537 | 5,765 | 5,134 | 10,899 |
| Depreciation | 16,442 | 8,827 | 25,269 | 16,235 | 8,515 | 24,750 |
| Amortization | 148 | 11,163 | 11,311 | 140 | 11,062 | 11,202 |

According to the resolution, 5%~20% of profit of the current year is distributable as employees' compensation and no higher than 1% of profit of the current year is distributable as remuneration to directors. However, the Company's accumulated losses shall have been covered. The Company may have the profit distributable as employees' compensation in the form of shares or in cash. Information on the Board of Shareholders' resolution regarding the employees' compensation and remuneration to directors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For three-month period ended March 31, 2025 and 2024, the Company incurred accumulated loss and therefore did not accrue the employees' compensation and remuneration to directors.

(19) Non-operating incomes and expenses

A. Interest income

| | For the three-month period ended March 31, | |
|-----------------|--|---------|
| | 2025 | 2024 |
| Interest income | \$1,295 | \$1,357 |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Other incomes

| | For the three-month period ended March 31, | |
|--------------|--|--------------|
| | 2025 | 2024 |
| Rent income | \$108 | \$75 |
| Other income | 1,404 | 552 |
| Total | <u>\$1,512</u> | <u>\$627</u> |

C. Other gains and losses

| | For the three-month period ended March 31, | |
|--|--|------------------|
| | 2025 | 2024 |
| Gain (loss) on disposal of property, plant, and equipment | \$- | \$1 |
| Foreign exchange gain (loss), net | (1,927) | 11,288 |
| Gain (loss) on financial assets at fair value through profit or loss | 123 | (10,845) |
| Other losses | - | (1,503) |
| Total | <u>\$(1,804)</u> | <u>\$(1,059)</u> |

D. Finance costs

| | For the three-month period ended March 31, | |
|-------------------------------|--|--------------|
| | 2025 | 2024 |
| Interests on bank loans | \$504 | \$526 |
| Interest on lease liabilities | 339 | 67 |
| Total | <u>\$843</u> | <u>\$593</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(20) Components of other comprehensive income (loss)

For the three-month period ended March 31, 2025

| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|---|---------------------------------|---------------------------------------|----------|------------------------------------|--------------------|
| May be reclassified to profit or loss in subsequent period: | | | | | |
| Exchange differences arising on translation of foreign operations | \$4,120 | \$- | \$4,120 | \$- | \$4,120 |

For the three-month period ended March 31, 2024

| | Arising during the period | Reclassification during the period | Subtotal | Income tax benefit (expense) | OCI, Net of tax |
|---|---------------------------------|---------------------------------------|----------|------------------------------------|--------------------|
| May be reclassified to profit or loss in subsequent period: | | | | | |
| Exchange differences arising on translation of foreign operations | \$6,411 | \$- | \$6,411 | \$- | \$6,411 |

(21) Income tax

The major components of income tax expense (benefit) are as follows:

Income tax expense (benefit) recognized in profit or loss

| | <u>For the three-month period ended March 31,</u> | |
|--|---|--------------|
| | <u>2025</u> | <u>2024</u> |
| Current income tax expense: | | |
| Current income tax expense | \$(3,022) | \$440 |
| Adjustments in respect of current income tax of prior periods | - | - |
| Deferred tax expense: | | |
| Deferred tax expense relating to origination and reversal of temporary differences | - | - |
| Total income tax expense | <u>\$(3,022)</u> | <u>\$440</u> |

The assessment of income tax return

As of March 31, 2025, the assessment status of income tax returns of the Company and subsidiaries was as follows:

| | <u>The assessment of income tax returns</u> |
|---|---|
| The Company | Assessed and approved up to 2023 |
| Subsidiary – Action Star Technology Co., Ltd. | Assessed and approved up to 2022 |

(22) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing net profit for the year attributable to the common shareholders of the parent entity by the weighted average number of common shares outstanding during the year.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | For the three-month period ended March 31, | |
|---|--|------------|
| | 2025 | 2024 |
| Net income (loss) available to common shareholders of the parent | \$(18,835) | \$(47,557) |
| Weighted average number of common stocks outstanding (in thousand shares) | 79,973 | 79,973 |
| Basic earnings (loss) per share (in NT\$) | \$(0.24) | \$(0.59) |

No other transactions that would significantly change the outstanding common shares or potential common shares incurred during the period after reporting date and up to the approval date of financial statements.

(23) Subsidiary that has material non-controlling interest

Proportion of equity interest held by non-controlling interests

| Name | Country | As of | | |
|----------------------------------|---------|----------------|-------------------|----------------|
| | | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Action Star Technology Co., Ltd. | Taiwan | 40.65% | 40.65% | 40.65% |

Accumulated balances of material non-controlling interest:

| | As of | | |
|----------------------------------|----------------|-------------------|----------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Action Star Technology Co., Ltd. | \$543,685 | \$547,105 | \$592,072 |

Profit (loss) allocated to material non-controlling interest:

| | For the three-month ended March 31, | |
|----------------------------------|-------------------------------------|------------|
| | 2025 | 2024 |
| Action Star Technology Co., Ltd. | \$(3,420) | \$(15,104) |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The summarized financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarized the Group's information of profit or loss is as follows:

For the three-month period ended March 31, 2025

| | Action Star Technology Co., Ltd. |
|---|-------------------------------------|
| Operating revenue | \$261,164 |
| Profit (loss) from continuing operation | 3,692 |
| Total comprehensive income for the period | 3,692 |

For the three-month period ended March 31, 2024

| | Action Star Technology Co., Ltd. |
|---|-------------------------------------|
| Operating revenue | \$162,279 |
| Profit (loss) from continuing operation | (25,050) |
| Total comprehensive income for the period | (25,050) |

Summarized the Group's information of financial position is as follows:

As of March 31, 2025

| | Action Star Technology Co., Ltd. |
|-------------------------|--|
| Current assets | \$823,052 |
| Non-current assets | 343,828 |
| Current liabilities | 233,292 |
| Non-current liabilities | 2,217 |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of December 31, 2024

| | Action Star Technology Co., Ltd. |
|-------------------------|--|
| Current assets | \$930,154 |
| Non-current assets | 340,212 |
| Current liabilities | 342,599 |
| Non-current liabilities | 89 |

As of March 31, 2024

| | Action Star Technology Co., Ltd. |
|-------------------------|--|
| Current assets | \$821,866 |
| Non-current assets | 349,495 |
| Current liabilities | 168,900 |
| Non-current liabilities | 482 |

Summarized the Group's cash flows information is as follows:

For the three-month period ended March 31, 2025

| | Action Star Technology Co., Ltd. |
|--|--|
| Operating activities | \$(33,656) |
| Investing activities | (5,583) |
| Financing activities | (275) |
| Net increase/(decrease) in cash and cash equivalents | (39,514) |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the three-month period ended March 31, 2024

| | Action Star Technology Co., Ltd. |
|--|--|
| Operating activities | \$57,026 |
| Investing activities | (3,754) |
| Financing activities | (133) |
| Net increase/(decrease) in cash and cash equivalents | 53,139 |

7.RELATED PARTY TRANSACTIONS

(1)Deal with related parties as at the end of the reporting period

Related parties and Relationship

| Related parties | Relationship |
|--|---------------------|
| Qisda Corporation | Parent company |
| Qisda Optronics Suzhou Co. Ltd | Associate |
| Action Star Enterprise Co., Ltd. | Other related party |
| DFI Inc. | Associate |
| BenQ Materials Corp. | Associate |
| BenQ Asia Pacific Corp. | Associate |
| BenQ Corporation | Associate |
| BenQ Technology (Shanghai) Co., Ltd | Associate |
| BenQ Healthcare Corporation | Associate |
| Epic Cloud Information Integration Corp. | Associate |
| Concord Medical Co., Ltd | Associate |
| QS Control Corp. Taichung Branch | Associate |
| Parter Tech Asia Pacific Corporation | Associate |
| Data Image Corporation | Associate |
| Diva Laboratories, Ltd. | Associate |
| Alpha Networks Vietnam Company Ltd. | Associate |
| Global Intelligence Network Co., Ltd. | Associate |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| Related parties | Relationship |
|-------------------------------------|--------------|
| ACE Energy Co., Ltd. | Associate |
| Qisda Electronics (Suzhou) Co., Ltd | Associate |
| Golden Spirit Co., Ltd | Associate |

(2) Significant transactions with related parties

A. Sales

| | For the three-month period ended March 31, | |
|----------------|--|----------|
| | 2025 | 2024 |
| Parent company | \$99,577 | \$39,881 |
| Associate | 5,735 | 3,338 |
| Total | \$105,312 | \$43,219 |

The Group's sales to related parties are mainly merchandises, and because there are fewer cases of selling the same goods to non-related parties, the transaction prices cannot be compared.

The collection terms are 30 to 120 days from the end of delivery month.

B. Purchases

| | For the three-month period ended March 31, | |
|----------------|--|-------|
| | 2025 | 2024 |
| Parent company | \$- | \$592 |
| Associate | 10,630 | 21 |
| Total | \$10,630 | \$613 |

The Group's purchases from related parties are mainly merchandises, and because there are fewer cases of purchasing the same goods from non-related parties, the transaction prices cannot be compared.

The payment terms are 30 to 60 days from the end of delivery month.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Accounts receivable - related parties

| | As of | | |
|----------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Parent company | \$64,567 | \$96,532 | \$39,221 |
| Associate | 4,911 | 5,438 | 5,301 |
| Total | \$69,478 | \$101,970 | \$44,522 |

D. Other receivables - related parties

| | As of | | |
|-----------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Associate | \$- | \$51 | \$26 |

E. Prepayment

| | As of | | |
|-----------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Associate | \$- | \$112 | \$- |

F. Prepayment for equipment

| | As of | | |
|-----------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Associate | \$4,481 | \$1,089 | \$- |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

G. Accounts payable - related parties

| | As of | | |
|----------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Parent company | \$- | \$- | \$632 |
| Associate | 11,339 | \$35,138 | 23 |
| Total | <u>\$11,339</u> | <u>\$35,138</u> | <u>\$655</u> |

H. Other payables - related parties

| | As of | | |
|----------------|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Parent company | \$661 | \$616 | \$602 |
| Associate | 9,988 | 6,859 | 4,921 |
| Total | <u>\$10,649</u> | <u>\$7,475</u> | <u>\$5,523</u> |

I. Cost of goods sold and operating expenses

| | | For the three-month period ended March 31, | |
|------------------------------|----------------|--|----------------|
| | Account | 2025 | 2024 |
| Associate | Other expense | \$198 | \$543 |
| Associate | Processing fee | 4,408 | 4,271 |
| Parent company and Associate | Other | 296 | (168) |
| Total | | <u>\$4,902</u> | <u>\$4,646</u> |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

- J. The Group leased factory from related parties for the three-month periods ended March 31, 2025 was as follow

(a) Rent expense

| Relationship | Object | Rental Period | Total Rent | Monthly rent and Payment |
|---------------------------|--------------|---------------------------|------------|---|
| <u>2025.1.1-2025.3.31</u> | | | | |
| Other related party | Xizhi Office | 2025.01.01~ 2025.12.31 | NT\$600 | NT\$200 thousand per month and to be paid each month. |
| <u>2024.1.1-2024.3.31</u> | | | | |
| Other related party | Xizhi Office | 2024.01.01~ 2024.12.31 | NT\$600 | NT\$200 thousand per month and to be paid each month. |

- K. Other incomes

| | | |
|--|--|------|
| | For the three-month period ended March 31, | |
| | 2025 | 2024 |
| | Associate | |
| | \$627 | \$- |

- L. Salaries and rewards to key management of the Group

| | | |
|-------|--|---------|
| | For the three-month period ended March 31, | |
| | 2025 | 2024 |
| | Short-term employee benefits | |
| | \$6,545 | \$9,245 |
| | Post-employee benefits | |
| | 280 | 280 |
| Total | \$6,825 | \$9,525 |

8.ASSETS PLEDGED AS COLLATERAL

The following table lists assets of the Group pledged as collateral:

| Item | Carrying Amount as of | | | Secured liabilities |
|---|-----------------------|----------------------|-------------------|--------------------------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 | |
| Financial assets measured at amortized cost | \$5,090 | \$4,992 | \$4,917 | Deposit of forward currency contract |

9.SIGNIFICANT CONTINGENCIES AND UNRECOGNIZED CONTRACT COMMITMENTS

None.

10.LOSSES DUE TO MAJOR DISASTERS

None.

11.SIGNIFICANT SUBSEQUENT EVENTS

None.

12.OTHERS

(1) Categories of financial instruments

Financial assets

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Financial assets at fair value through profit or loss: | | | |
| Mandatorily measured at fair value through P/L | \$19 | \$- | \$8 |
| Financial assets at fair value through OCI | 1,447 | 1,447 | 3,858 |
| Financial assets measured at amortized cost (Note) | 1,063,150 | 1,153,065 | 1,032,752 |
| Total | 1,064,616 | \$1,154,512 | \$1,036,618 |

Financial liabilities

| | As of | | |
|--|-------------------|----------------------|-------------------|
| | March 31, 2025 | December 31, 2024 | March 31, 2024 |
| Financial liabilities measured at amortized cost: | | | |
| Short-term loans | \$30,000 | \$30,000 | \$- |
| Payables (including related parties) | 441,575 | 622,411 | 358,441 |
| Long-term loans (including current portion with maturity less than 1 year) | 60,000 | 70,000 | 100,000 |
| Lease liabilities | 60,294 | 60,199 | 8,605 |
| Financial liabilities at fair value through profit or loss: | | | |
| Mandatorily measured at fair value through P/L | 3,628 | 3,732 | 4,789 |
| Total | <u>\$595,497</u> | <u>\$786,342</u> | <u>\$471,835</u> |

Note: Including Cash and cash equivalents, financial assets measured at amortized cost, accounts receivable (including related parties), other receivables, (including related parties) and refundable deposits.

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies, measures, and manages the aforementioned risks based on its policy and risk appetite.

The Group has established appropriate policies, procedures, and internal controls for financial risk management. Before entering significant transactions, due approval process by the Board of Directors and Audit Committee must be carried out based on related protocols and internal control procedures. The Group always complies with its financial risk management policies.

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market risk comprises currency risk and interest rate risk (e.g., equity instruments).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However, the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to foreign currency risk relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign operations.

The Group has certain foreign currency receivables denominated in the same foreign currency as certain foreign currency payables, therefore natural hedge is achieved. Thus, hedge accounting is not adopted. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of possible change in foreign exchange rates on the Group's profit/loss and equity is performed on significant monetary items denominated in foreign currencies as of the reporting period-end. The Group's foreign currency risk is mainly related to volatility in the exchange rates of US dollars and CNY dollars. The information of the sensitivity analyses is as follows:

If NT dollars appreciates/depreciates against US dollars by 1%, net income (loss) for the three-month periods ended March 31, 2025 and 2024 would decrease/increase by NT\$3,660 thousand and NT\$3,111 thousand, respectively.

If NT dollars appreciates/depreciates against CNY dollars by 1%, net income (loss) for the three-month periods ended March 31, 2025 and 2024 would increase/decrease by NT\$1,404 thousand and NT\$853 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's investments with variable interest rates and loans with fixed and variable interest rates, which are all categorized as loans and receivables.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable loans and borrowings and entering interest rate swaps. Hedge accounting does not apply to these swaps as they do not qualify for it.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as of the end of the reporting period and presumed to be held for one accounting year, including investments and bank borrowing with variable interest rates. If interest rate increases/decreases by 1%, the net income (loss) for the three-month periods ended March 31, 2025 and 2024 would increase /decrease by NT\$131 thousand and by NT\$142 thousand, respectively.

Equity price risk

The fair value of the Group's unlisted equity securities is susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group's unlisted equity securities are classified under financial assets measured at fair value through other comprehensive income. The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions.

Please refer to Note 12(9) for sensitivity analysis information of other equity instruments or derivatives that are linked to such equity instruments whose fair value measurement is categorized under Level 3.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract and result in a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts and notes receivable) and from its financing activities, including bank deposits and other financial instruments.

Credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to credit risk management. Credit risk of all customers are assessed based on a comprehensive review of the customers' financial status, credit ratings from credit institutions, past transactions, current economic conditions, and the Group's internal credit ratings. The Group also employs some credit enhancement instruments (e.g., prepayment or insurance) to reduce certain customers' credit risk.

As of March 31, 2025, December 31, 2024 and March 31, 2024, receivables from the top ten customers were accounted for 81.70%, 77.29% and 80.02% of the Group's total accounts receivable, respectively. The concentration of credit risk is relatively insignificant for the remaining receivables.

Credit risk from balances with banks and other financial instruments is managed by the Group's finance division in accordance with the Group's policy. The counterparties that the Group transacts with are determined by internal control procedures. They are banks with fine credit ratings and financial institutions, corporate and government agencies with investment-grade credit ratings. Thus, there is no significant default risk. Conclusively, no significant credit risk is expected by the Group.

(5) Liquidity risk management

The Group maintains financial flexibility through the use of cash and cash equivalents, highly liquid marketable securities, bank loans, etc. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted interest payment relating to borrowings with variable interest rates is extrapolated based on the estimated yield curve as of the end of the reporting period.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

| | Less than 1 year | 1 to 2 years | 2 to 3 years | More than 3 years | Total |
|--|---------------------|--------------|--------------|----------------------|-----------|
| <u>As of March 31, 2025</u> | | | | | |
| Short-term loans | \$30,012 | \$- | \$- | \$- | \$30,012 |
| Payables | 441,575 | - | - | - | 441,575 |
| Lease liabilities | 28,939 | 26,506 | 3,089 | 3,630 | 62,164 |
| Long-term loans (including current portion with maturity less than 1 year) | 40,756 | 20,059 | - | - | 60,815 |
| <u>As of December 31, 2024</u> | | | | | |
| Short-term loans | \$30,012 | \$- | \$- | \$- | \$30,012 |
| Payables | 622,411 | - | - | - | 622,411 |
| Lease liabilities | 26,121 | 24,958 | 8,420 | 2,594 | 62,093 |
| Long-term loans (including current portion with maturity less than 1 year) | 40,966 | 30,166 | - | - | 71,132 |
| <u>As of March 31, 2024</u> | | | | | |
| Payables | \$358,441 | \$- | \$- | \$- | \$358,441 |
| Lease liabilities | 4,643 | 1,564 | 289 | 2,760 | 9,256 |
| Long-term loans (including current portion with maturity less than 1 year) | 41,606 | 40,756 | 20,059 | - | 102,421 |

(6) Movement schedule of liabilities arising from financing activities

Movement schedule of liabilities for the three-month period ended March 31, 2025:

| | Short-term loans | Long-term loans | Leases liabilities | Total liabilities from financing activities |
|-----------------------|---------------------|--------------------|-----------------------|--|
| As of January 1, 2025 | \$30,000 | \$70,000 | \$60,199 | \$160,199 |
| Cash flows | - | (10,000) | (7,081) | (17,081) |
| Non-cash changes | - | - | 7,176 | 7,176 |
| As of March 31, 2025 | \$30,000 | \$60,000 | \$60,294 | \$150,294 |

Movement schedule of liabilities for the three-month period ended March 31, 2024:

| | Long-term loans | Leases liabilities | Total liabilities from financing activities |
|-----------------------|--------------------|-----------------------|--|
| As of January 1, 2024 | \$110,000 | \$13,423 | \$123,423 |
| Cash flows | (10,000) | (5,553) | (15,553) |
| Non-cash changes | - | 735 | 735 |
| As of March 31, 2024 | <u>\$100,000</u> | <u>\$8,605</u> | <u>\$108,605</u> |

(7) Fair values of financial instruments

A. The evaluation methods and assumptions applied in determining the fair value

Fair value is the price that would be received to sell a financial asset or paid to transfer a financial liability in an orderly transaction between willing market participants (not under coercion or liquidation). The following methods and assumptions are used by the Group in estimating the fair values of financial assets and liabilities:

- a. The carrying amount of cash and cash equivalents, receivables, payables, and other current liabilities approximate their fair value due to their short maturity terms.
- b. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- c. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taiwan Over-The-Counter Securities Exchanges, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)

B. Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measure at amortized cost approximates their fair value.

C. Fair value measurement hierarchy for financial instruments

Please refer to Note 12(9) for fair value measurement hierarchy for financial instruments of the Group.

(8) Derivative financial instrument

The Group's derivative financial instruments include forward currency contracts and embedded derivatives. The related information for derivative financial instruments not qualified for hedge accounting and not yet settled as of March 31, 2025, December 31 2024 and March 31, 2024 is as follows:

Forward currency contracts

The Group entered forward currency contracts to manage its exposure to financial risk, but these contracts are not designated as hedging instruments. The table below lists the information related to forward currency contracts:

| Items (by contract) | Notional Amount (in Thousands) | Contract Period |
|---------------------------|-----------------------------------|----------------------|
| As of March 31, 2025 | | |
| Forward currency contract | Sell USD 9,749 | 2024.12.30~2025.7.16 |
| As of December 31, 2024 | | |
| Forward currency contract | Sell USD 7,143 | 2024.9.26~2025.4.2 |
| As of March 31, 2024 | | |
| Forward currency contract | Sell USD 7,431 | 2023.11.29~2024.8.6 |
| Forward currency contract | Buy USD 374 | 2023.2.28~2024.5.17 |

(9) Fair value measurement hierarchy

A. Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

B. Fair value measurement hierarchy of the Group's assets and liabilities

The Group does not have assets that are measured at fair value on a non-recurring basis. Fair value measurement hierarchy of the Group's assets and liabilities measured at fair value on a recurring basis is as follows:

As of March 31, 2025

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$19 | \$- | \$19 |
| Financial assets at fair value through other comprehensive income | \$- | \$- | \$1,447 | \$1,447 |
| <u>Financial liabilities:</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$3,628 | \$- | \$3,628 |

As of December 31, 2024

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$- | \$- | \$- |
| Financial assets at fair value through other comprehensive income | \$- | \$- | \$1,447 | \$1,447 |
| <u>Financial liabilities:</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$3,732 | \$- | \$3,732 |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of March 31, 2024

| | Level 1 | Level 2 | Level 3 | Total |
|---|---------|---------|---------|---------|
| <u>Financial assets:</u> | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$8 | \$- | \$8 |
| Financial assets at fair value through other comprehensive income | \$- | \$- | \$3,858 | \$3,858 |
| <u>Financial liabilities:</u> | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Forward currency contract | \$- | \$4,789 | \$- | \$4,789 |

Reconciliation for fair value measurements on a recurring basis in Level 3 hierarchy

For the three-month period ended March 31, 2025 and 2024, there were no transfers in Level 3 hierarchy.

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Information on significant unobservable inputs to valuation in Level 3 hierarchy

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

As of March 31, 2025

| | Valuation | Significant | Quantitative | Relationship | Sensitivity of the input to |
|---------------------------|-----------------|------------------------------------|--------------|---|---|
| | techniques | unobservable inputs | information | between inputs and fair value | fair value |
| Financial assets: | | | | | |
| At fair value through OCI | | | | | |
| Stock | Market approach | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$14 thousand |

As of December 31, 2024

| | Valuation | Significant | Quantitative | Relationship | Sensitivity of the input to |
|---------------------------|-----------------|------------------------------------|--------------|---|---|
| | techniques | unobservable inputs | information | between inputs and fair value | fair value |
| Financial assets: | | | | | |
| At fair value through OCI | | | | | |
| Stock | Market approach | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$14 thousand |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As of March 31, 2024

| | Valuation techniques | Significant unobservable inputs | Quantitative information | Relationship between inputs and fair value | Sensitivity of the input to fair value |
|---------------------------|----------------------|------------------------------------|--------------------------|---|---|
| Financial assets: | | | | | |
| At fair value through OCI | | | | | |
| Stock | Market approach | Discount for lack of marketability | 30% | The higher the discount for lack of marketability, the lower the fair value of the stocks | 1% increase (decrease) in the discount for lack of marketability would result in decrease (increase) in the Group's equity by NT\$19 thousand |

(10) Significant financial assets and liabilities denominated in foreign currencies

Information regarding the significant financial assets and liabilities denominated in foreign currencies was listed below. (In Thousands)

| | As of March 31, 2025 | | |
|------------------------------|----------------------|---------------|-----------|
| | Foreign Currencies | Exchange Rate | NTD |
| <u>Financial assets</u> | | | |
| Monetary items: | | | |
| USD | \$16,445 | 33.205 | \$546,390 |
| CNY | \$6,446 | 4.5787 | \$29,516 |
| <u>Financial liabilities</u> | | | |
| Monetary items: | | | |
| USD | \$5,380 | 33.19 | \$178,553 |
| CNY | \$37,252 | 4.5787 | \$170,567 |

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

| | As of March 31, 2024 | | |
|------------------------------|-----------------------|------------------|-----------|
| | Foreign Currencies | Exchange Rate | NTD |
| <u>Financial assets</u> | | | |
| Monetary items: | | | |
| USD | \$17,144 | 32.785 | \$562,078 |
| CNY | \$9,678 | 4.4915 | \$43,471 |
| <u>Financial liabilities</u> | | | |
| Monetary items: | | | |
| USD | \$8,104 | 32.774 | \$265,601 |
| CNY | \$45,662 | 4.4915 | \$205,092 |

| | As of March 31, 2024 | | |
|------------------------------|-----------------------|------------------|-----------|
| | Foreign Currencies | Exchange Rate | NTD |
| <u>Financial assets</u> | | | |
| Monetary items: | | | |
| USD | \$12,630 | 32.00 | \$404,166 |
| CNY | \$7,086 | 4.4296 | \$31,388 |
| <u>Financial liabilities</u> | | | |
| Monetary items: | | | |
| USD | \$2,860 | 32.00 | \$91,514 |
| CNY | \$26,437 | 4.4296 | \$117,107 |

Foreign exchange gain/loss on monetary financial assets and liabilities is shown as below.

| | For the three - month ended March 31, | |
|-------|---------------------------------------|----------|
| | 2025 | 2024 |
| USD | \$(2,038) | \$11,157 |
| Other | 111 | 131 |
| Total | \$(1,927) | \$11,288 |

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

(11) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support its business and maximize shareholder value. The Group manages and adjusts its capital structure in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. ADDITIONAL DISCLOSURES

(1) Information on significant transactions

- A. Financing provided to others: None.
- B. Endorsement/Guarantee provided to others: None.
- C. Marketable securities held as of March 31, 2025 (excluding investments in subsidiaries, associates and joint ventures): Please refer to attachment 1.
- D. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2025: Please refer to attachment 2.
- E. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2025: None.
- F. Inter Group relationships and significant inter Group transactions for the three-month period ended March 31, 2025: Please refer to attachment 5.

(2) Information on investees

- A. Names, Locations and Related Information of Investees (excluding investees in Mainland China): Please refer to attachment 3.

B. Investees over which the Group exercises control shall be disclosed of information:

- a. Financing provided to others: None.
- b. Endorsement/Guarantee provided to others: None.
- c. Marketable securities held as of March 31, 2025 (excluding investments in subsidiaries, associates, and joint ventures): None.
- d. Related party transactions with purchase or sales amount of at least NT\$100 million or 20 percent of the paid-in capital for the three-month period ended March 31, 2025: Please refer to attachment 4.
- e. Receivables from related parties of at least NT\$100 million or 20 percent of the paid-in capital as of March 31, 2025: None.

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Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3)Information on investments in Mainland China:

A. Name of investee in China, main business, paid-in capital, method of investment, investment flows, percentage of ownership, investment gain or loss, carrying amount at the end of reporting period, inward remittance of earning or loss and the upper limit on investment in China:

(In Thousands of New Taiwan Dollars)

| Name of Investee in China | Main Business | Paid-in Capital | Method of Investment | Accumulated Outflow of Investment from Taiwan as of January 1, 2025 | Investment Flows | | Accumulated Outflow of Investment from Taiwan as of March 31, 2025 | Profit/Loss of Investee | Percentage of Ownership (Direct or Indirect Investment | Share of Profit/Loss | Carrying Amount as of March 31, 2025 | Accumulated Inward Remittance of Earnings as of March 31, 2025 | Accumulated Outflow of Investment from Taiwan to Mainland China as of March 31, 2025 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment in China by Investment Commission, MOEA |
|---|---|-----------------------|-------------------------|---|------------------|--------|--|----------------------------|--|-----------------------------------|---|---|--|---|--|
| | | | | | Outflow | Inflow | | | | | | | | | |
| Simula Technology (ShenZhen) Co., LTD. | Manufacture of electronic connector, socket and plastic hardware | \$191,437 (Note 3) | Note 1 | \$141,375 | \$- | \$- | \$141,375 | \$(8,388) (Note 3) | 100% | \$(8,388) (Note 2) (Note 4) | \$88,020 (Note 3) (Note 4) | \$- (Note 3) (Note 4) | \$247,212 | \$297,274 | \$1,155,285 |

Simula Technology Inc. and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Note 1: Indirect investment in Mainland China is through a holding company established in a third country.

Note 2: Investment income or loss was recognized based on the reviewed financial statements by the auditors.

Note 3: The amount of this attachment are expressed in New Taiwan Dollars.

Note 4: Transactions are eliminated upon preparation of consolidated financial statement.

- B. Purchase and balances of related accounts payable as of March 31, 2025: Please refer to attachment 5.
- C. Sale and balance of related accounts receivable as of March 31, 2025: Please refer to attachment 5.
- D. Property transaction amounts and resulting gain or loss: None.
- E. Ending balance of endorsements/guarantees or collateral provided and the purposes: None.
- F. Maximum balance, ending balance, interest rate range and total interest for current period from financing provided to others: None.
- G. Transactions that have significant impact on profit or loss of current period or the financial position, such as services provided or rendered: Please refer to attachment 5.
- H. The above transactions between the Company are eliminated upon preparation of consolidated financial statements. Please refer to attachment 5.

14. SEGMENT INFORMATION

The major sales of the Group come from sales of connectors (wires) and other electronic products. The Group is aggregated into a single segment. The Group's operating segments adopts the same accounting policies as the ones in Note 4.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Marketable Securities Held (Excluding Investments in Subsidiaries, Associates and Joint Ventures)

As of March 31, 2025

Attachment 1

(In Thousands of New Taiwan Dollars)

| Name of Held Company | Type and Name of Marketable Securities | Relationship with the Issuer | Financial Statement Account | As of March 31, 2025 | | | | Guarantee, Pledge or Other Restricted Conditions | | |
|------------------------|---|------------------------------|--|----------------------|-----------------|--------|----------------|--|-----------------|------|
| | | | | Shares (Unit) | Carrying Amount | % | Fair Value | Shares | Carrying Amount | Note |
| Simula Technology Inc. | Stocks: Taiwan Competition Co., LTD. | - | Financial assets at fair value through OCI | 500,000 | \$1,447 | 16.67% | \$1,447 | - | \$- | - |
| | | | Total | | <u>\$1,447</u> | | <u>\$1,447</u> | | | |
| | | | | | | | | | | |

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the three-month period ended March 31, 2025

Attachment 2

(In Thousands of New Taiwan Dollars)

(in thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/ Accounts Payable or Receivable | | Note |
|------------------------|--|------------------------|---------------------|-----------|------------|--|--|---|---------------------------------------|------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment/ Collection Term | Unit Price | Payment/ Collection Term | Ending Balance | % to Total | |
| Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | Subsidiary | Purchase | \$122,671 | 84.88% | Payment within 60 days from the end of delivery month. | Specs of goods purchased are different from others. Cannot be reasonably compared. | Other vendors also enjoy payment within 30~120 days from the end of delivery month. | \$(49,123) | 56.68% | Note |

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Names, Locations and Related Information of Investee (Excluding Investees in Mainland China)

As of March 31, 2025

Attachment 3

(In Thousands of New Taiwan Dollars)

| Investor | Investee | Business Location | Main Business and Product | Original Investment Amount | | Balance as of March 31, 2025 (Note 3) | | | Net Income (Loss) of the Investee | Share of Income (Loss) of the Investee (Note 3) | Note |
|------------------------|----------------------------------|------------------------|---|----------------------------|-------------------------|---------------------------------------|--------|----------------|-----------------------------------|---|------------|
| | | | | As of March 31, 2025 | As of December 31, 2024 | Shares | % | Carrying Value | | | |
| Simula Technology Inc. | Stocks: ASPIRE ASIA INC. | British Virgin Islands | Holding company | \$276,221 | \$276,221 | 9,072,560 | 100% | \$84,980 | \$(4,443) | \$(4,667) Note 1 | Subsidiary |
| Simula Technology Inc. | Simula Technology Corp. | USA | Selling in Northern America | \$15,699 | \$15,699 | 500,000 | 100% | \$55,081 | \$790 | \$790 | Subsidiary |
| Simula Technology Inc. | Simula Company Limited | Hong Kong | Holding company | \$187,625 | \$187,625 | 50,500,000 | 52.31% | \$93,541 | \$(9,319) | \$(4,875) | Subsidiary |
| Simula Technology Inc. | Action Star Technology Co., Ltd. | Taiwan | R&D & development manufacture and sale of USB docking station product | \$983,858 | \$983,858 | 32,000,571 | 59.35% | \$868,794 | \$3,692 | \$(4,992) Note 2 | Subsidiary |
| ASPIRE ASIA INC. | Simula company limited | Hong Kong | Holding company | \$181,726 | \$181,726 | 46,033,370 | 47.69% | \$85,268 | \$(9,319) | \$(4,444) | Subsidiary |

Note 1: Including investment loss recognized under equity method amounted to NT\$(4,443) thousand, unrealized profit on transaction between subsidiaries amounted to NT\$(29) thousand, realized loss on transaction between subsidiaries amounted to NT\$(257) thousand and realized gain on disposal of fixed assets from upstream transaction between subsidiaries amounted to NT\$62 thousand.

Note 2: Including investment profit recognized under equity method amounted to NT\$2,191 thousand, and the amortization of differences between the investment cost and the entity's share of the net value to NT\$(7,183) thousand.

Note 3: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Related Party Transactions with Purchase or Sales Amount of At least NT\$ 100 Million or 20% of the Paid-in Capital

For the three-month period ended March 31, 2025

Attachment 4

(In Thousands of New Taiwan Dollars)

| Company Name | Related Party | Nature of Relationship | Transaction Details | | | | Abnormal Transaction | | Notes/ Accounts Payable or Receivable | | Note |
|---|------------------------|------------------------|---------------------|-----------|------------|--|--|--|---------------------------------------|------------|------|
| | | | Purchase/ Sale | Amount | % to Total | Payment/ Collection Term | Unit Price | Payment/ Collection Term | Ending Balance | % to Total | |
| Simula Technology (ShenZhen) Co., LTD. | Simula Technology Inc. | Parent company | Sales | \$122,913 | 87.69% | Payment within 60 days from the end of delivery month. | Similar to those to third party customers. | Non relative parties are 30~120 days from the end of delivery month. | \$49,157 | 77.36% | Note |

Note: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

Simula Technology Inc. and Subsidiaries

Intercompany Relationships and Significant Intercompany Transactions

For the three-month period ended March 31, 2025

Attachment 5

(In Thousands of CNY Dollars / New Taiwan Dollars)

| No. (Note 1) | Company Name | Counter-Party | Nature of Relationship (Note 2) | Intercompany Transaction | | | |
|---------------------|--|--|------------------------------------|-----------------------------|-----------|-------------------------------|---|
| | | | | Financial Statement Account | Amount | Terms | Percentage to Consolidated Net Revenue or Total Assets (Note 3) |
| | <u>2025.01.01~2025.03.31</u> | | | | | | |
| 0 | Simula Technology Inc. | Simula Technology Corp. | 1 | Other payable | \$537 | On demand | 0.02% |
| 0 | Simula Technology Inc. | Simula Technology Corp. | 1 | Promotion expense | 3,036 | On demand | 0.66% |
| 0 | Simula Technology Inc. | Simula Technology Corp. | 1 | Accounts receivable | 12,882 | 60 days after monthly closing | 0.50% |
| 0 | Simula Technology Inc. | Simula Technology Corp. | 1 | Other income | 248 | 60 days after monthly closing | 0.06% |
| 0 | Simula Technology Inc. | Simula Technology Corp. | 1 | Sales | 31,371 | 60 days after monthly closing | 6.79% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Accounts receivable | 99 | 60 days after monthly closing | -% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Other payable | 1,678 | 60 days after monthly closing | 0.07% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Miscellaneous | 22 | 60 days after monthly closing | -% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Manufacturing overhead | 966 | 60 days after monthly closing | 0.21% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Utilities | 63 | On demand | 0.01% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Other expense | 1,886 | On demand | 0.41% |
| 0 | Simula Technology Inc. | Action Star Technology Co., Ltd. | 1 | Sales | 93 | 60 days after monthly closing | 0.02% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Purchase | 120,684 | 60 days after monthly closing | 26.13% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Purchase-others | 2,195 | 60 days after monthly closing | 0.48% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Purchase-return | 208 | 60 days after monthly closing | 0.05% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Miscellaneous | 34 | 60 days after monthly closing | 0.01% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Technical service income | 2,749 | 60 days after monthly closing | 0.60% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Other receivables | 21,402 | 60 days after monthly closing | 0.84% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Other payable | 34 | 60 days after monthly closing | -% |
| 0 | Simula Technology Inc. | Simula Technology (ShenZhen) Co., LTD. | 1 | Accounts payable | 49,123 | 60 days after monthly closing | 1.92% |
| 1 | Simula Technology (ShenZhen) Co., LTD. | Simula Technology Corp. | 3 | Sales | RMB 1,113 | 60 days after monthly closing | 1.08% |
| 1 | Simula Technology (ShenZhen) Co., LTD. | Simula Technology Corp. | 3 | Accounts receivable | RMB 353 | 60 days after monthly closing | 0.06% |
| 1 | Simula Technology (ShenZhen) Co., LTD. | Simula Company Limited | 2 | Accounts payable | RMB 4,362 | 60 days after monthly closing | 0.78% |
| 1 | Simula Technology (ShenZhen) Co., LTD. | Simula Company Limited | 2 | Other payable | RMB 612 | 60 days after monthly closing | 0.11% |

Note 1: Transaction information between Parent company and its subsidiaries should be disclosed by codes below:

- (1) Parent company is coded "0".
- (2) The subsidiaries are coded from "1" in the order presented in the table above.

Note 2: Relationship are divided into the following three types and the types are required to be indicated:

- (1) From the parent company to a subsidiary.
- (2) From a subsidiary to the parent company.
- (3) Between subsidiaries.

Note 3: Regarding the percentage of transaction amount to consolidated operating revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items; and based on interim accumulated amount to consolidated net revenue for income statement items.